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WASHINGTON -- After years of complaints from the Chicago-centered candy industry about high costs imposed by trade policies protecting sugar growers, the U.S. Commerce Department on Tuesday officially blamed the sugar policies for the loss of thousands of American jobs.

The Valentine's Day report, along with blunt comments from a senior trade official, signaled that the Bush administration is moving toward a harder line on long-standing protections for the politically powerful sugar industry.

"This issue is bubbling up," said Franklin Lavin, undersecretary of commerce for international trade. "It just stands out. The distortion is just so significant. It's one of the more protected, more inefficient sectors in the U.S. economy."

The report found that an artificially high sugar price caused by limits on imports was "a major factor" in the loss of 10,000 jobs as U.S. candymakers shift production overseas to take advantage of lower sugar prices. For every job protected in sugar cultivation, three jobs were lost in food production, the Commerce Department concluded.

The Commerce Department, which examined data from 1997 through 2002, noted that many of the jobs lost came from the Chicago area. Chicago has long been a center of the confectionery industry, and the high-profile shutdowns of Brach's Chicago operation in 2003 and Fannie May in 2004 focused local attention on the travails of candymakers.

The report assessing the impact of the sugar program on American jobs was mandated by a provision attached to legislation by a Chicago-area congressman, Rep. Mark Kirk (R-Ill.). But the Commerce Department made the decision on the timing of its release, on Valentine's Day, maximizing attention for a report on production of sweets.

A day earlier, in the annual Economic Report of the President, the Bush administration criticized

U.S. sugar policies, citing an estimate that protection of sugar growers cost consumers $1.5 billion in 2004 through higher food prices.

Quotas limit production

Sugar is one of the most protected industries in the country, with quotas limiting U.S. production of sugar and also controlling imports of cheaper sugar. As a result, the price of sugar in the U.S. has been two to three times the world price, according to the Commerce Department.

Sugar producers have long commanded clout in Washington, partly because of their generous funding of political candidates. The industry gave about $3.2 million in the 2004 election, according to the Center for Responsive Politics, a non-partisan watchdog group. Two sugar magnates were among the Bush campaign's top fundraisers.

Sugar growers also have considerable geographic reach. Sugar cane farmers are located in Florida, Louisiana and Texas. Sugar beet farmers are spread across the northern reaches of the country, from Michigan, Minnesota and North Dakota to Oregon.

But the sugar lobby antagonized the Bush administration with a bruising but unsuccessful battle to stop the Central American Free Trade Agreement, which allowed some additional sugar imports. And the sugar program is inimical to the administration's free-trade philosophy.

The administration is engaged in a round of trade negotiations under the World Trade Organization in which it is aiming to lower barriers to trade in agricultural commodities, including sugar. It also is negotiating a trade agreement with Colombia that could open the way to more sugar imports. And the administration will be revising the program covering agriculture later this year.

Marietta Bernot, a senior trade adviser for the candy company Mars, which favors the elimination of sugar quotas, said the comments Lavin made upon release of the Commerce Department report were the strongest public criticism she has seen from a senior Bush official.

Kirk, who commissioned the report, said the study would give him a powerful argument when Congress considers the farm bill and renewal of sugar quotas next year.

"Now, we see that the price-fixing in the sugar program leads to more Americans being unemployed rather than less. So it gives us a powerful argument when we take up the farm bill."

Industry disputes findings

Phillip Hayes, a spokesman for the American Sugar Alliance, an industry trade association, disputed the Commerce Department's findings.

"It's an unfortunate fact of U.S. manufacturing in general that the high cost of labor is causing jobs to go abroad," Hayes said. "The only difference is that candy companies are content to use sugar prices as a scapegoat."

But the Commerce Department concluded that sugar prices were a more significant factor. It noted that during the same period the country lost 10,000 jobs in production of sugar-rich products, employment grew by more than 31,000 in production of food not heavily reliant on sugar.